

**17 MAY 1993**



***Financial Management***  
***COST AND ECONOMICS***

---

**NOTICE:** This publication is available digitally on the SAF/AAD WWW site at: <http://afpubs.hq.af.mil>. If you lack access, contact your Publishing Distribution Office (PDO).

---

OPR: SAF/FMC  
(Maj Jim Doody)

Certified by: SAF/FM  
(Mr LeRoy T. Baseman)  
Pages: 5  
Distribution: F

1. The Air Force is committed to supporting the Planning, Programming, and Budgeting System (PPBS) and the weapon system acquisition process within the Department of Defense (DoD). The keys to an executable PPBS and properly funded acquisition programs are professionally prepared cost estimates and established processes for forecasting economic conditions.

2. The Air Force will:

- 2.1. Provide cost and economic analyses necessary to support Air Force resource allocation decisions.
- 2.2. Perform the cost analysis required in the weapon system acquisition and management process, Including independent component cost analyses (CCA) and the service cost position.
- 2.3. Maintain a program to determine and apply the effects of changes in the economy to the PPBS.
- 2.4. Develop, maintain, and apply cost and planning factors in Air Force program and budget decisions.
- 2.5. Conduct reviews of economic analyses and independent reviews of commercial activity cost comparisons to validate the currency, reasonableness, accuracy, and completeness of the cost comparisons.
- 2.6. Perform cost performance, cost schedule control system criteria (C/SCSC), and Defense Acquisition Executive Summary analysis to support acquisition activities.
- 2.7. Conduct an oversight program of the Morale, Welfare, Recreation, and Services (MWRS).
- 2.8. Oversee the content and execution of cost and economic related education and training.

3. The following responsibilities and authorities are established:

- 3.1. The Deputy Assistant Secretary (Cost and Economics) (SAF/FMC) provides policy and oversees all Air Force-wide cost and economic analysis activities, associated training, CCA process, leadership of the Air Force Cost Analysis Improvement Group (AFCAIG), and development of the service cost

position. Additional SAF/FMC responsibilities include: developing economic escalation, and cost and planning factors used throughout the Air Force; developing policy for commercial activity cost comparisons prepared by the operating commands, and review and appraisal of economic analyses; oversight of MWRS; and by delegation from SAF/FM, establishing policy for and exercising oversight of the Air Force Cost Analysis Agency (AFCAA).

3.2. The AFCAA prepares Air Force CCAs required by DoD Instruction 5000.2, *Defense Acquisition Management Policies and Procedures*, February 23, 1991; DoD 5000.2-M, **Defense Acquisition Management Documentation and Reports**, February 1991, and Change 1; DoD Directive 5000.4, *OSD Cost Analysis Improvement Group (CAIG)*, November 24, 1992; and DoD 5000.4-M, *Cost Analysis Guidance and Procedures*, December 1992.

3.3. Major commands, field operating agencies, and direct reporting units will establish and maintain cost, economic, and financial management expertise to support the resource allocation process within their command and validate commercial activity cost comparisons and economic analyses.

#### **4. Terms Explained:**

**4.1. Component Cost Analysis (CCA).** An analysis of program cost, as well as schedule and technical risk, prepared in support of the Air Force Systems Acquisition Review Council/Defense Acquisition Board process. CCAs are generally performed on all major weapon system programs at Milestones I, II, and III. Both the CCA and Program Office Estimate are based on the Cost Analysis Requirements Description, which is prepared by the program office and approved by the Office of Secretary of Defense (OSD). The CCA is intended to provide an independent discrete point estimate for the life cycle of the program by a team organizationally separate from program advocacy.

**4.2. Cost Schedule Control System Criteria (C/SCSC).** A series of statements used to determine the quality of a contractor's Management Information System. C/SCSC is not a system or a report.

**4.3. Defense Acquisition Executive Summary.** A report covering a program's contract, schedule, technical, and financial status.

5. See **Attachment 1** for measures used to comply with this policy.

6. See **Attachment 2** for related documents and interfacing publications.

MICHAEL B. DONLEY  
The Assistant Secretary of the Air Force for  
Financial Management and Comptroller

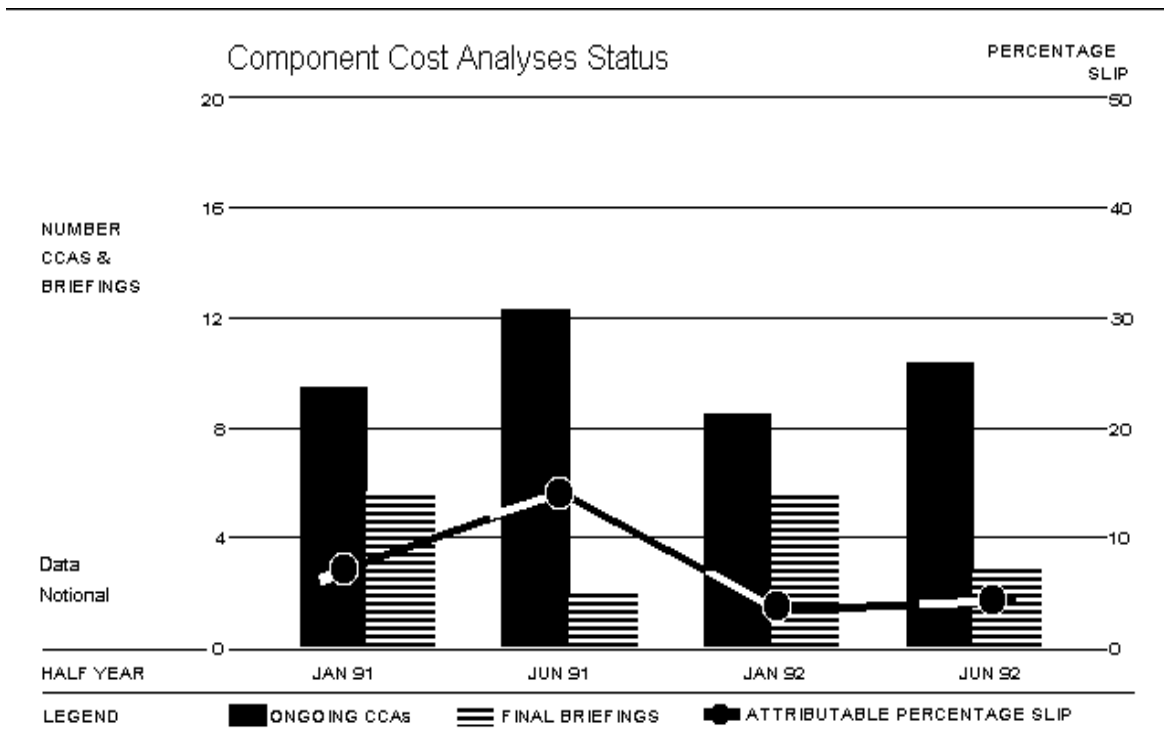
## **Attachment 1**

### **MEASURING AND DISPLAYING COMPLIANCE WITH POLICY**

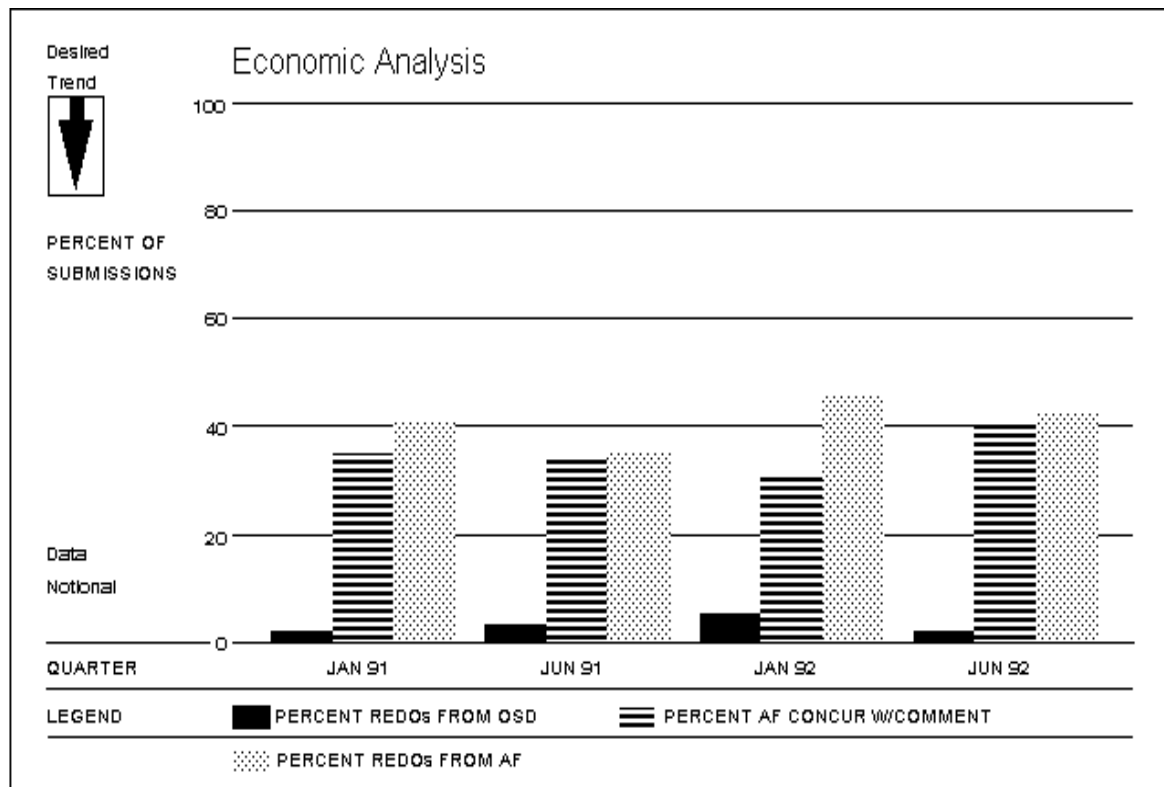
**A1.1.** The efficiency of independent CCAs is measured by relating workload to schedule slip. Workload is defined as the total number of CCAs in progress during that reporting period. Final briefings means the number of OSD CAIG level briefings that reporting period. Schedule slip is defined as the percentage of CCAs reported in that period that slipped due to an action or inaction attributable to the CCA team. The intent of this measure is to relate workload (in process and final) to schedule. The bar chart, figure **A1.1.**, shows ongoing workload, final briefings, and percentage CCA slip. The correlation between the quantity of CCAs and percentage slip may indicate the need for a change in the suspense or scheduling procedures, a change in the level of service, a study to evaluate personnel authorizations required, or the need to redistribute workload among the existing personnel and so forth. The desired result is to minimize percentage of CCA team caused slip.

**A1.2.** The overall measure of the economic analyses (EA) process is through the EA return and redo rate from the Air Force and OSD. Figure **A1.2.** tracks the percentage of EAs returned by SAF/FMC to the commands for redo, forwarded to OSD with SAF/FMC comment, and returned to the Air Force by OSD after SAF/FMC review. This chart measures the first time effectiveness of the commands and secretariat. The desired result for this metric is to have zero rework in the EA process.

**Figure A1.1. Sample Metric of Component Cost Analyses Status.**



**Figure A1.2. Sample Metric of Economic Analysis.**



## **Attachment 2**

### **RELATED DOCUMENTS AND INTERFACING PUBLICATIONS**

This policy is derived from:

Title 10, United States Code:

Section 2432, *Selected Acquisition Reports*.

Section 2433, *Unit Cost Reports*.

Section 2434, *Independent Cost Estimates; Operational Manpower Requirements*.

Office of Management and Budget Circular A-76, *Performance of Commercial Activities*, August 4, 1983.

#### ***Implemented Publications***

DoD Directive 5000.1, *Defense Acquisition*, February 23, 1991

DoD Instruction 5000.2, *Defense Acquisition Management Policies and Procedures*, February 23, 1991

DoD 5000.2-M and Change 1, *Defense Acquisition Management Documentation and Reports*, February 1991

DoD Directive 5000.4, *OSD Cost Analysis Improvement Group (CAIG)*, November 24, 1992

DoD 5000.4-M, *Cost Analysis Guidance and Procedures*, December 1992

#### ***Interfaced Publications***

AFPD 34-2, *Morale, Welfare, Recreation, and Services Non-Appropriated Fund Resource Management*, AFR 176-1

AFPD 38-1, *Organization*

AFPD 38-2, *Manpower*

AFI 38-203, *Commercial Activities Program*, AFR 26-1, Volume 1